

# Performance of Micro, Small and Medium Enterprises and Its Role in Inclusive Growth in India

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## ABSTRACT

Micro, small and medium enterprises (MSMEs) plays a key role in employment generation, poverty reduction, balanced regional and economic development. Most of industries under this category are labour intensive and lesser capital is required to set up a MSME unit as compared to large industries. These enterprises are also helps in achieving balanced regional development as these are generally established in rural and economically backward areas. They are also act as ancillary units to large industries. This sector has a significant contribution in the growth process of Indian economy since independence, in spite of facing stiff competition from the large industries. According to 'National Manufacturing Policy-2011', the micro, small and medium enterprises (MSMEs) contribute 45% of manufacturing sector output, 40 % of manufacturing exports and it employs about 117.1 million persons in the country. This clearly shows the importance of MSMEs in the economic development of the country. The present paper examines the performance of MSMEs and its contribution in inclusive growth of India. For this investigation various parameters like number of units, employment, production, exports etc. have been used. The present study reveals that there is significant contribution of MSMEs in terms of employment growth, production, women participation and other economic indicators. Efforts should be made by Government to provide strong technological support and non – financial support like training and skill development to empower this sector to compete globally.

## 1. Introduction

The small scale industries (SSIs) are generally comprised of those industries which manufacture, produce and provide services with the help of small machines and less manpower. In developing countries like India, small scale industries are the backbone of the economy. These industries have major role in employment generation, poverty reduction, balanced regional and economic development. Most of industries under this category are labour intensive. These industries have a special place in the economy both from a financial and social point of view, as they contribute in increasing per capita income and optimum utilization of resources in the economy. They are also act as ancillary units to large industries. According to 'National Manufacturing Policy-2011', the Micro, Small and Medium enterprises (MSMEs) contribute 45% of manufacturing sector output, 40 % of manufacturing exports and it employs about 117.1 million persons in the country. This clearly shows the importance MSMEs in the economic development of the country. The small-scale industry has a significant contribution in the growth process of Indian economy since independence, in spite of facing stiff competition from the large industries. Micro, Small and Medium Enterprises laid foundation of economic growth in various developing and developed countries across the globe. Most of studies refer it as growth engine, in context of Indian economy. MSMEs are the key drivers in transforming Indian economy from agricultural economy to industrial economy.

Classification of small scale industries undergoes many changes in India, since 1950. Small scale unit as earlier classified on the basis of capital assets, but from 1966 onwards, value of plant and machinery is considered for defining small scale industry. Various definitions of MSME have

been given and amended from time to time. The new policy of small scale industries was announced on 6<sup>th</sup> August, 1991 and amendments were made thereafter. The last amendment was in 2006, in which the term small scale industries is replaced by Micro, Small and Medium Enterprises (MSMEs) and a new classification of industries has been defined under Micro, Small and Medium Enterprises Development Act, 2006. In this Act, different limits have been defined for manufacturing enterprises and service enterprises, which are given below:

Classification	Investment in plant and machinery	
	Manufacturing sector	Services sector
Micro	Upto Rs.25 lakh	Upto Rs.10 lakh
Small	Above Rs.25 lakh & upto Rs.5 crore	Above Rs.10 lakh & upto Rs.2 crore
Medium	Above Rs.5 crore & upto Rs.10 crore	Above Rs.2 crore & upto Rs.5

Source: Annual Report, 2015-16, Ministry of Micro, Small and Medium Enterprises, GoI

In this policy, the meaning of the term 'Enterprise' is also redefined. Earlier, enterprise meant by and large, manufacturing enterprises. But the new policy widened its meaning and it includes both manufacturing and service enterprises (MSME Annual Report- 2015-16). The present study intends to achieve the following main objectives:

- (i) To examine the performance of MSME sector in terms of number of units, share of MSME in GDP, production, exports, capital availability and efficiency.
- (ii) To study the role of MSMEs in inclusive growth in India by evaluating its contribution in employment generation, women participation in ownership,

entrepreneurship to different social groups and balanced regional development.

- (iii) To suggest various policy measures to enhance performance and promoting inclusive growth of MSMEs as visualized by Government.

### **Literature Review**

There have been a number of studies which explained the performance MSMEs and its role in inclusive growth of India. Some of them are reviewed and briefly discussed below.

Sandesara (1993) in his analysis by using the report of the second census of modern small industrial units along with data from the first census highlighted some aspects of growth and structural change in modern small industry over the reference years of the two censuses. The focus of the study is on growth and size, structural change, closures and impact of the policy of reservation. The study revealed that capacity utilization and aggregate change in production was lesser in reserved items as compared to unreserved items. This reason of this poor performance is protection as they do not face competition from large industries.

Ramaswamy (1994) in his study approximates the small-scale sector in India by the non-factory non-household segment of the manufacturing sector. He found that most of the addition to the manufacturing employment has come from non-household non-factory segment. Registered small-scale units are found to be a small but growing segment of manufacturing. It is observed that wages in small-scale units are lower relative to the large-scale sector. He suggests that the shift to non-factory employment may be due to labour cost advantages of small-scale production.

Schmitz (1995) analyzed the growth of small local industry in developing countries and explores one particular route for understanding and fostering such growth. He explained the economic and institutional conditions which enhance or hinder collective efficiency.

Mukherjee (2004) identified the important determinants of productivity level in Small Manufacturing Enterprises (SMEs). He found that factors like technology, access to resources and inputs, general macroeconomic atmosphere, etc. emerge as important determinants of productivity.

Subrahmanya (2004) analyzed the impact of globalization and domestic economic reforms on small industry. He stressed that in order to make Indian small industry globally competitive and to increase its contribution in national income and employment, focus should be given to technology development and strengthening of financial infrastructure.

Subrahmanya (2005) studied the implications of globalization and domestic economic liberalization for small-scale industries and analyses its growth performance in terms of units, employment, output and exports. He concluded with policy recommendations to ensure the sustenance and competitive growth of small-scale industries in India.

Ghatak (2010) examined MSMEs and their role in economic growth and employment generation in the India. He highlighted in his study that how policy environment for promoting MSMEs changed from 'protectionism' during the pre-1990s to 'export orientation' during the post-1990s. He found that access to credit, technology, red-tapism etc. are the key constraints faced by the MSMEs.

Subramanya et al. (2011) studied the trends and dimensions of Small Scale Industry (SSI) internationalization in India in the era of globalization, when India implemented domestic economic liberalization. He has tried to answer two main questions: (i) Do SSI internationalization contributed to SSI production growth? and (ii) Do SSI internationalization contributed to the growth of total exports of Indian economy. He emphasized that a further thrust on the 'qualitative improvement' of SSI internationalization.

Coad et al. (2012) in their empirical study found that size and age have a negative impact on firm growth in the majority of specifications and exports have positive effect on firm growth. Enterprises managed by women have lower expected growth rates.

Lahiri (2012) in his study explored the definitions of MSMEs and analyzed the opportunities and constraints faced in the era of globalization. He found that MSMEs in India faced a tough situation due to extreme completion from large industries.

Singh et al. (2016) in their investigation identified various challenges faced by MSMEs in sourcing of finance during different stages of their life cycle. They further explored whether the financial awareness of MSME entrepreneurs is a major limitation in the identification and utilization of sources of finance. They found that the main challenges faced in underutilization of formal sources were inadequacy of collateral assets and lack of financial awareness of entrepreneurs.

Martin et al. (2017) in their empirical investigation on whether promoting small and medium enterprises creates jobs, identified the consequences for employment growth, investment, output, productivity, and wages of dismantling India's SSI reservations. They conclude that dismantling India's SSI policies encouraged overall employment growth.

### **Database and Methodology**

In order to investigate above said objectives, secondary data is used and the period of study is from 2006-07 to 2015-16, the reason of selection of this period is that small scale industries have been reclassified as MSMEs in MSME development Act, 2006. The data is collected from journals, periodicals, various annual reports of Ministry of Micro, Small and Medium Enterprises, Government of India and Various annual reports of Reserve Bank of India. To study the performance of MSMEs in India six variables have been taken into consideration, namely number of units, share of MSMEs in GDP, production, exports, capital availability and efficiency. To analyze the role of MSMEs in inclusive growth in India four variables have been taken into consideration namely employment in MSMEs, share women in MSME ownership, proportion of ownership in different social groups i.e. Sc, ST, OBCs etc. and state wise distribution of MSMEs. Various statistical tools like growth rate, percentage, bar chart and pie chart have been used for the analysis of data.

### **Limitations of the Study**

Every study has some limitations. The limitation of present study is that it is based on secondary data and only few variables have been taken into consideration for analysis of the performance of MSMEs in India and its role in inclusive growth and others were left due to time constraint and non availability of data.

The present paper is divided into five sections including the present one, which consists of introductory aspects of MSMEs, review of literature, database and methodology and limitations of study. Performance of MSMEs in India is evaluated in next section. Role of MSMEs in inclusive growth of India is explained in Section 3. Some recent policy initiatives by Government are discussed in Section 4. The final section tries to conclude the findings of this study.

**2. Performance of MSMEs in India**

The performance of MSME sector can be analyzed from various parameters such as growth in units, employment, production, exports, availability of capital and efficiency. Impact of employment is analyzed in section 3 whereas performance of MSMEs is analyzed in this section with the help of following parameters: (i) Growth in Number of Units and Fixed Investment in MSMEs in India, (ii) Contribution of MSMEs in Gross Domestic Product (GDP) of India, (iii) Growth in Production and Exports of MSME Sector in India, (iv) Credit Availability to Micro & Small Enterprises (MSEs), (v) Efficiency of MSME Sector in India.

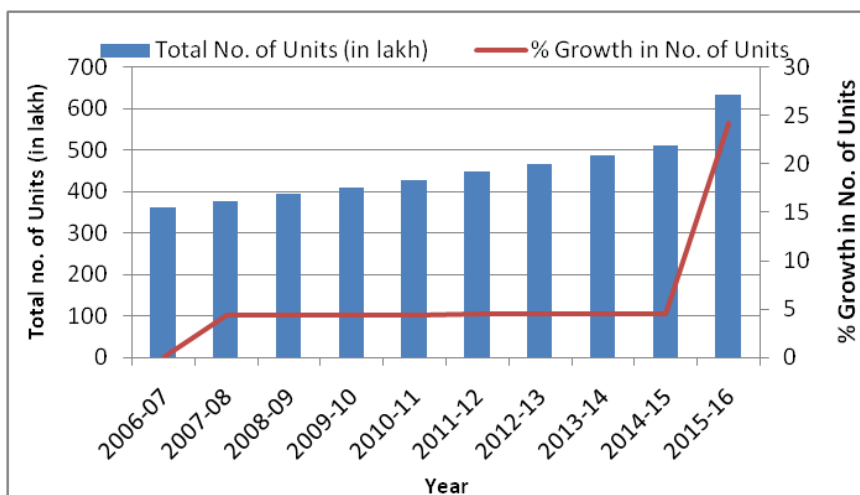
**Table I- Growth of Enterprises and Fixed Investment in MSMEs in India**

Year	Total No. of Units (in lakh)	% Growth in No. of Units	Fixed Investment (in Rs. crore)
2006-07	361.76	-	868,543.79
2007-08	377.36	4.31	920,459.84
2008-09	393.7	4.33	977,114.72
2009-10	410.8	4.34	1,038,546.08
2010-11	428.73	4.36	1,105,934.09
2011-12	447.64	4.41	1,182,757.64
2012-13	467.54	4.45	1,268,763.67
2013-14	488.46	4.47	1,363,700.54
2014-15	510.57	4.53	1,471,912.94
2015-16	633.88	24.15	NA

Source: Annual Report, 2015-16 & 2017-18, Ministry of Micro, Small and Medium Enterprises, Gol

**(i) Growth in Number of Units and Fixed Investment in MSMEs in India:** Growth of enterprises and fixed investment in MSMEs in India is given in Table I and figure1. It is evident from table I and figure 1, that there is continuous increase in number of MSME units from 316.76 lakh units in 2006-07 to 633.88 lakh units in 2015-16. However, the growth rate of number of MSME units shows an increasing trend from 2006-07 to 2014-15. The growth rate of MSME units is around 4.31% to 4.53% from 2007-08 to 2014-15, but there is significant jump in growth of MSME units to 24.15% in 2015-16. This may be

due to various policy initiatives taken by Government of India to uplift the MSME sector and various incentives for MSME sector introduced in 'New Manufacturing Policy, 2011'. There is also an increasing trend in fixed investment in this sector. The value of fixed investment increased from Rs. 868,543.79 crore in 2006-07 to Rs. 1,471,912.94 crore in 2014-15. It is clear from increase in number of MSME units that this sector has shown a rapid growth over the years. It will help to increase employment generation in the country.



**Figure1: Total no. of Units and % Growth in MSMEs in India from 2006-07 to 2015-16**  
 Source: Annual Report, 2015-16 & 2017-18, Ministry of Micro, Small and Medium Enterprises, Gol

**Table II: Contribution of MSMEs in Indian Economy**

Year	Share of MSME in GDP (in %)
2006-07*	35.13
2007-08*	35.41
2008-09*	36.12
2009-10*	36.05
2010-11*	36.69
2011-12 <sup>#</sup>	29.57
2012-13 <sup>#</sup>	29.94
2013-14 <sup>#</sup>	29.76
2014-15 <sup>#</sup>	29.39
2015-16 <sup>#</sup>	28.77

Source: MSME Annual Report, 2015-16 &amp; 2017-18

\*Calculated at 2004-05 prices

# Calculated at Current prices i.e. 2011-12

**(ii) Contribution of MSMEs in Gross Domestic Product (GDP) of India:**

MSMEs have significant contribution in Indian economy. The domain of this sector has been widened across sectors of the economy through innovation and producing diverse range of products to meet the domestic and global demand. The contribution of MSME in Indian economy is given in Table II. It is clear from this table that share of MSME in GDP is increased gradually from 35.12% in 2006-07 to 36.69% in 2010-11. However, it declined to 29.57% in 2011-12. From 2011-12 onwards, base price for calculating share of MSME in GDP has been changed. The decline in share of MSME in GDP may be due to change in base prices from 2004-05 to 2011-12. The share of MSME in GDP has remained consistent around 30% from 2011-12 to 2015-16.

According to National Sample Survey (NSS) 73rd round (2015-16), there are 633.88 lakh MSME units, out of which 31% are engaged in Manufacturing, 36% are in Trade and 33% are in other services. This sector currently manufacture more

than 6,000 quality products, ranging from handloom, carpets and soaps to pickles, auto and machine parts catering the demand of local and global markets. It is observed from the above facts that MSMEs can achieve high growth path and share of MSME is expected to touch half of country's GDP, if necessary support is provided to them (MSME Annual Report, 2017-18).

There is huge scope of employment opportunities in this sector as lesser capital requirement and labour intensity of small scale industries enable them to provide employment to millions of people. The other advantage of MSMEs is that it helps in achieving balanced regional development in India by providing livelihood in rural and economically backward areas. One of the drawbacks of using traditional technique of production by MSMEs is that it increases their cost of production, due to which it would be difficult to compete in the market. This may further decline the growth of MSMEs units. But no such effect on growth of MSME units is seen in Figure 1.

**Table III- Growth in Production and Exports of MSME Sector in India**

Year	Production at current prices (Rs. Crores)	% Growth in Production	Exports (Rs. Crores)	% Growth in Exports
2006-07	1,351,383	–	182,538	–
2007-08	1,435,179	6.20	202,017	10.67
2008-09	1,524,235	6.21	214,387	6.12
2009-10	1,619,356	6.24	238,752	11.36
2010-11	1,721,553	6.31	497,774	108.49
2011-12	1,788,584	3.89	670,707	34.74
2012-13	1,809,976	1.20	696,025	3.77
2013-14	1,831,624	1.20	798,946	14.79
2014-15	1,853,531	1.20	866,716	8.48
2015-16	1,875,699	1.20	866,912	0.02

Source: Various Annual Reports, 2006-07 to 2017-18, Ministry of Micro, Small and Medium Enterprises, Gol

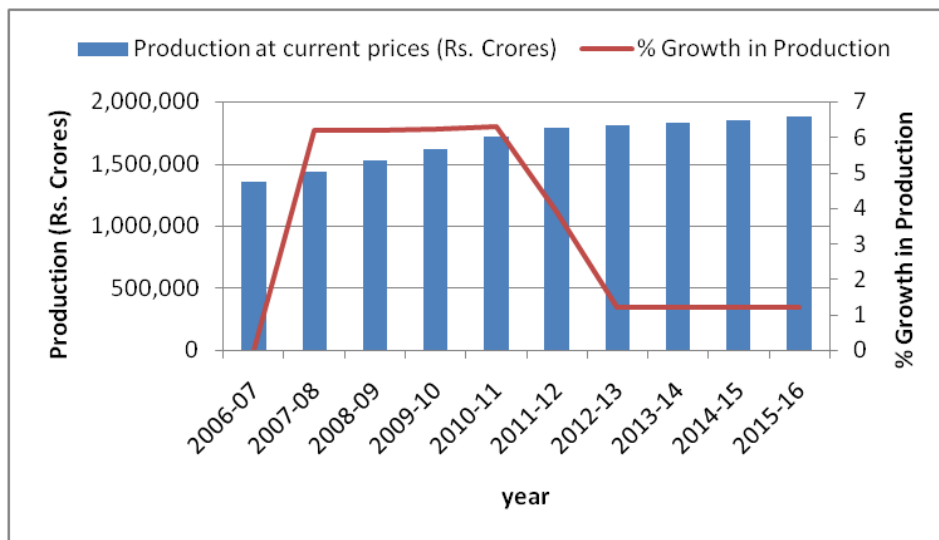


Figure2: Total and % Growth in Production in MSMEs in India from 2006-07 to 2015-16

Source: Source: Annual Report, 2006-07 to 2015-16,, Ministry of Micro, Small and Medium Enterprises, Gol

**(iii) Growth in Production and Exports of MSME Sector in India:** MSMEs play a crucial role in increasing production in India. The status of production and exports of MSME sector is given in Table III and figure 2. It is evident from Table III that production of MSME sector has continuously increased from 2006-07 to 2015-16. However, there is consistent increase in

growth rate in production from 6.20% in 2007-08 to 6.31% in 2010-11. Thereafter there is declining trend in growth rate of production of MSME sector in India. It declined to 3.89% in 2011-12 and further there is sharp decline to 1.20% in 2012-13. From 2012-13 onwards it is stagnant at 1.20%.

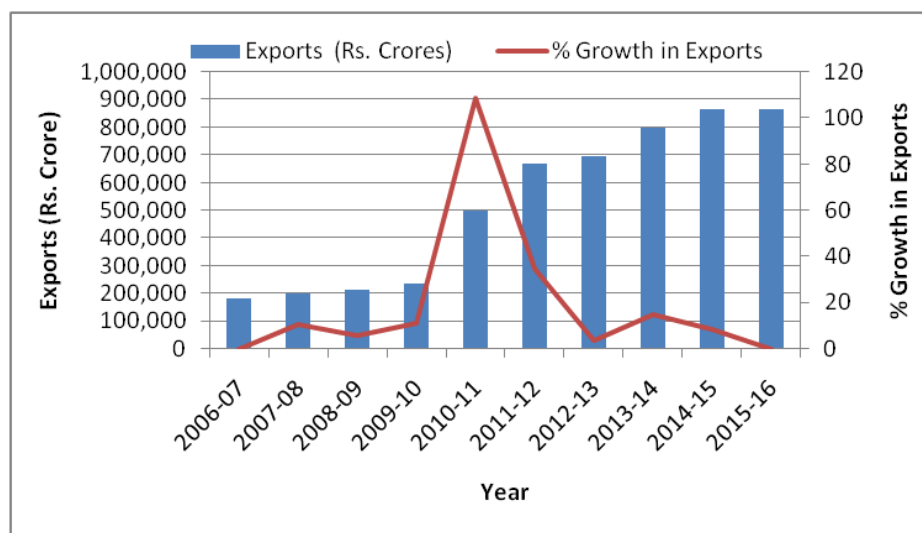


Figure3: Total and % Growth in Exports in MSMEs in India from 2006-07 to 2015-16

Source: Source: Annual Report, 2006-07 to 2015-16, Ministry of Micro, Small and Medium Enterprises, Gol

The share of MSMEs in India's total exports was estimated to be around 43 per cent in 2011-12. Major items of MSME exports are gems and jewelry, electrical and electronic equipments, apparels and pharmaceutical products (MSME Annual Report, 2012-13).

The performance of exports of MSME sector in India is shown in Table III and Fig. 3. MSME sector has also contributed in promoting Indian exports. The value of exports

has increased from Rs. 182,538 crore in 2006-07 to Rs. 866,912 in 2015-16. However, growth rate of exports of MSME sector does not show a clear direction. There is huge variation in the growth rate of exports. In 2007-08, growth rate of exports was 10.67%. Then it declined to 6.12% in 2008-09. There is exponential increase in growth rate of exports to 108.49% in 2010-11. From 2013-14 onwards, there is continuous fall in growth of exports of this sector. It declined from 14.79% in 2013-14 to 0.02% in 2015-16.

Table IV: Status of Credit to Micro &amp; Small Enterprises (MSEs)

Year	Number of Accounts (millions)	Outstanding Credit to MSE Sector (Rs. billion)	% Growth of outstanding credit to MSE	MSE credit as per cent of ANBC
2006-07	N.A	1273.23	-	7.2
2007-08	N.A	2135.38	67.7	11.6
2008-09	4.85	2561.28	19.9	11.3
2009-10	8.5	3622.91	41.4	13.4
2010-11	9.3	4785.30	32.1	15.0
2011-12	9.86	5276.85	10.3	16.5
2012-13	11.2	6872.10	30.2	14.8
2013-14	12.6	8510.90	23.8	15.7
2014-15	13.8	9612.00	12.9	15.5
2015-16	20.4	9964.30	3.7	14.6
2016-17	23.2	10701.30	7.4	14.3
2017-18	25.9	11493.50	7.4	14.6

Source: Annual Reports – 2008-09 to 2017-18, Reserve Bank of India

<https://www.rbi.org.in/Scripts/AnnualReportMainDisplay.aspx>

Note: Adjusted Net Bank Credit (ANBC)

#### (iv) Credit Availability to Micro & Small Enterprises (MSEs):

As per Table IV, there is continuous increase in outstanding credit to MSE sector from 1273.23 billion rupees in 2006-07 to 11493.50 billion rupees in 2017-18. It is observed from above table that the growth of outstanding credit to MSE sector is significantly increased to 67.7% in 2007-08. The high growth recorded in year 2008 is because of reclassification of MSEs as per MSME Development Act, 2006. In this Act, the investment limit of small manufacturing units is increased from Rs. 1 crore to Rs. 5 crore and small services are added with investment limit between Rs. 10 lakh to Rs. 2 crore. However, there is fall in growth of outstanding credit to MSE from 2012-13 onwards and reaches the lowest point in 2015-16 to 3.7%. Most of credit to MSEs is provided by public sector banks. These banks provide loans to this sector at low rate of interest. Government has directed all public sector banks to open at least one specialized branch in each district to finance small scale industries. Reserve bank of India put the MSEs in the category of priority sector lending by public sector banks. According to Mohan (2001), 40% of total bank credit is to be allocated to priority sector which includes SSI and other sectors such as agriculture and exports, out of which minimum of 15% is to be allocated to SSI.

It is observed from above table that MSE credit as percent of net bank credit is 7.2% in 2006-07. It continuously increased from 2006-07 to 16.5% in 2011-12. However, there is marginal decline in MSE credit as percent of net bank credit from 15.7% in 2013-14 to 14.6% in 2017-18. Overall share of MSE sector in net bank credit is very low during this period. There is need to increase its share in total bank credit. Ghatak (2010) in his study found that lack of availability of sufficient and timely credit is a big obstacle in the development of MSMEs in India. It is clear from above analysis that the issue of credit availability to this vital sector of Indian economy is not addressed adequately in the measures and policy initiative taken by the Government. Performance of this sector can be robust, if sufficient credit is provided to them. The problem of lack of credit availability can be addressed by involving private sector banks and NBFC's to a larger extent. One of the problems of private sector banks is

that they operate in big cities of India with limited branches, but most of MSEs are situated in rural areas and small towns. So, there is need to expand the network of private sector banks to rural areas and small towns.

Table V: Efficiency of MSME Sector in India

Year	No. of persons Employed per unit	Production per Unit (in Rs.)
2006-07	2.23	373558
2007-08	2.23	396721
2008-09	2.24	421339
2009-10	2.24	447633
2010-11	2.25	475883
2011-12	2.26	494412
2012-13	2.27	500325
2013-14	2.28	506309
2014-15	2.29	512365
2015-16	1.75	518493

Source: Author's own calculation using Table I & III

(v) Efficiency of MSME Sector in India: Table V shows the number of persons employed per unit and production per unit from 2006-07 to 2015-16. It is observed from Table V that number of persons employed per unit has considerably decreased from 2.23 in 2006-07 to 1.75 in 2015-16 whereas production per unit has continuously increased from Rs. 373558 in 2006-07 to Rs. 518493 in 2015-16. This shows that efficiency of MSME sector in India has been progressively increased both in employment and production.

Growth of MSMEs is the outcome of the policy initiatives undertaken by various industrial policy resolutions. The objective of these policy resolutions was to promote industrial growth, motivating states to intervene and provide assistance. The importance of SSI sector in generating employment, mobilizing local resources and integrate small industries with large industries is highlighted in industrial policy resolution,

1956. Focus of industrial policy statement of 1977 was on setting up of cottage and small industries in rural areas and small towns. It also insisted on setting up District Industries Centre to provide services to SSI sector under one roof. The industrial policy in 1990 stressed on increasing the share of exports, employment opportunities of SSI sector and setting up small industries in rural areas, whereas focus of industrial policy in 1991 was on development of infrastructure for SSIs with the help of state Government, financial institution and Non-Government organizations. Government also reserves some sector exclusively for MSME sector. The term small scale industries is replaced by MSMEs and reclassified in MSME Development Act, 2006 (Various MSME Annual Reports).

According to MSME census report of 2001-02, ratio of employment generation by small scale industries per Rs. 100000 investment was 1.39 as compared to 0.2 per Rs. 100000 investment by large scale industries. It is clear from above data that large industries require investment of Rs. 5 lakh to generate employment of one person whereas small scale industries generate employment for 7 persons with the same investment. This also implies that small scale industries potential to generate employment is seven times more than that of large scale industries. Therefore, keeping in view deficiency in capital and employment problem in India, MSMEs have special significance.

**3. Role of MSMEs in Inclusive Growth in India**

The MSMEs play a pivotal role in promoting inclusive growth in India. Participation of different sections of society is very important in balanced development of the country, in this context role of MSMEs in inclusive growth of a country can be judged from following parameters: (i) Employment generation by MSMEs, (ii) Women Participation in ownership of MSMEs, (iii) Contribution of MSMEs in Entrepreneurship to Different Social Groups, (iv) Contribution of MSMEs in Balanced Regional Development.

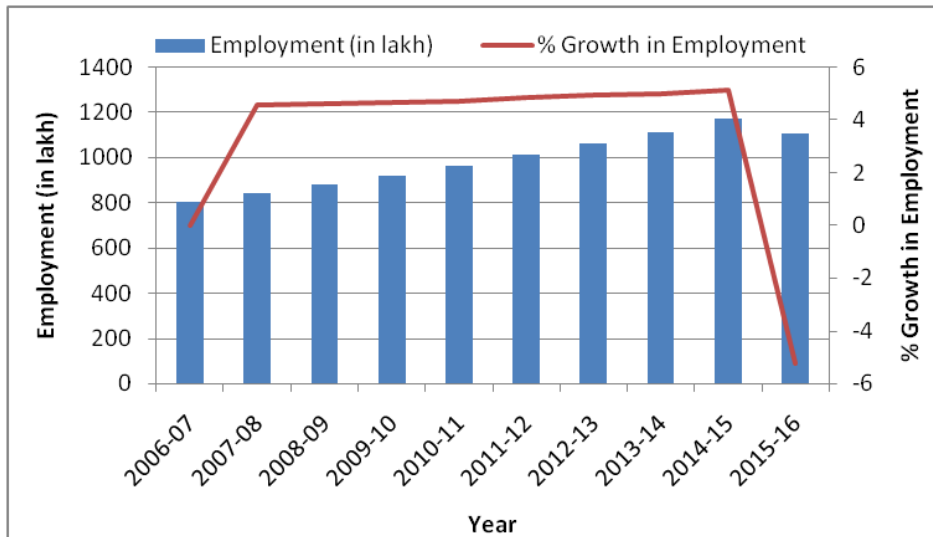
**(i) Employment Generation by MSMEs:**

In country like India, where capital is scarce, MSMEs have special importance. A small investment is required to start a small scale industry as compared to large scale industry.

**Table VI- Growth of Employment in MSME Sector in India**

Year	Employment (in lakh)	% Growth in Employment
2006-07	805.23	-
2007-08	842.00	4.57
2008-09	880.84	4.61
2009-10	921.79	4.65
2010-11	965.15	4.70
2011-12	1,011.69	4.82
2012-13	1,061.40	4.91
2013-14	1,114.29	4.98
2014-15	1,171.32	5.12
2015-16	1109.89	-5.24

Source: Annual Report, 2015-16 & 2017-18  
Ministry of Micro, Small and Medium Enterprises, Gol



**Figure 4: Total and % Growth in Employment in MSMEs in India from 2006-07 to 2015-16**

Source: Annual Report, 2015-16 & 2017-18, Ministry of Micro, Small and Medium Enterprises, Gol

The growth of employment in MSMEs is given in Table VI and figure 4. It is evident from Table VI and figure 4, that employment in MSME sector has increased from 805.23 lakh persons in 2006-07 to 1171.32 lakh persons in 2014-15 and thereafter declined to 1189.09 lakh persons in 2015-16. There is consistent increase in growth rate of employment in MSME sector from 2006-07 to 2014-15. It is 4.51% in 2007-08 and increased to 5.12% in 2014-15. There is marginal variation in the growth rate of employment of MSME sector during this period. However, it dropped to -5.24% in 2015-16. MSMEs play

a very important role in solving problem of unemployment in India to some extent.

**(ii) Women Participation in Ownership of MSMEs:**

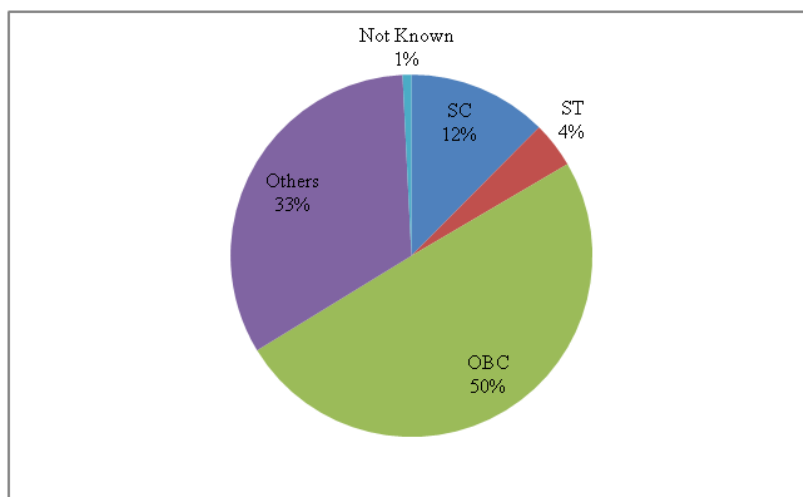
Empowerment of women is central to achieving the objective of inclusive, equitable and sustainable development and it is not only a national goal but also a global agenda. The increasing presence of women as entrepreneurs has led to the change in the demographic characteristics of business and economic growth of the country. MSMEs are playing a

prominent role in encouraging women participation in ownership and generating more employment opportunities in the country. There is need for sustainable growth of women entrepreneurs, to promote a balanced growth in the country. According to NSS, 73rd round (2015-16), again out of 633.88 lakh MSMEs, 608.41 lakh units are proprietary enterprises. There is dominance of male owners in proprietary MSMEs. The share of male in proprietary MSMEs is 79.63% as compared to 20.37% owned by female. There was no significant deviation in this pattern in urban and rural areas; however the dominance of male owned enterprises is comparatively more in urban areas (81.58%) as compared to rural areas (77.76%). However the share of women in ownership of MSMEs has increased gradually from 10.64 lakh in 2001-02 to 20.21 lakh in 2006-07. Its share witnessed a manifold increase to 120 lakh in 2015-16, which is

approximately increased six times in this period (MSME Annual Report, 2007-08 & 2017-18).

**(iii) Contribution of MSMEs in Entrepreneurship to Different Social Groups:**

Participation of different sections of society like SC, ST and OBC is witnessed in MSMEs unlike the large scale industries where most of enterprises are owned by elite class of the society. According to National Sample Survey (NSS) 73rd round during the period 2015-16, almost 66.27% of MSMEs are owned by socially backward groups, out of which majority of units are attributed to OBCs owning in 49.72%. The share of SC and ST owners in MSME sector was low at 12.45% and 4.10% respectively (MSME Annual Report, 2017-18). The distribution of MSMEs by social group of ownership is shown in figure 5.



**Figure 5: Percentage Distribution of MSMEs by social group of Ownership**  
Source: Annual Report, 2017-18, Ministry of Micro, Small and Medium Enterprises, Gol

**(iv) Contribution of MSMEs in Balanced Regional Development:**

Most of studies reviewed above have recognized the role of MSMEs in balanced regional development. As per National Sample Survey (NSS) 73rd round (2015-16), contribution of MSME sector in rural development can be observed from the fact that again out of 633.88 lakh MSME units, 324.88 lakhs units are located in rural areas, which accounted for 51.25% of the total working enterprises in MSME sector, whereas 309 lakhs units are located in urban areas, comprising 44.66% of the total working enterprises (MSME Annual Report, 2017-18).

State wise Distribution of MSME units in India as per Fourth All India Census of MSME 2006-07 are given in Table VII. It is observed from table VII that highest number of MSME units are in Uttar Pradesh followed by 10.13% in West Bengal. All other states have single digit percentage of MSME units.

It is evident from Table VII that there is uneven distribution of MSMEs, however if you evaluate the distribution of MSME units from the perspective of state's size, you will observe that bigger states gets larger chunk as compared to smaller states and MSMEs are present in every state across India. It is clear from this observation that MSMEs are successful in reducing regional disparities.

**Table VII: State wise Distribution of MSME units in India as per Fourth All India Census of MSME 2006-07**

State	No. of MSMEs (in lakh)	State Wise percentage of MEME units
Uttar Pradesh	44.03	12.17
West Bengal	36.64	10.13
Tamil Nadu	33.13	9.16
Maharashtra	30.63	8.47
Andhra Pradesh	25.96	7.18
Kerala	22.13	6.12
Gujarat	21.78	6.02
Karnataka	20.19	5.58
Madhya Pradesh	19.33	5.34
Rajasthan	16.64	4.60
Odisha	15.73	4.35
Bihar	14.70	4.06
Punjab	14.46	4.00
Other States	46.41	6.74
Total	361.76	100.00

Source: Annual Report, 2014-15, Ministry of Micro, Small and Medium Enterprises, Gol

#### 4. Policy Initiatives by the Government

According to Annual Report (2017-18), Ministry of Micro, Small and Medium Enterprises, Government of India, various steps have been taken for the development and growth of MSME sector. Some of these recent policy initiatives taken by the Government are discussed below:

- **Ease of Registration Process of MSMEs- Udyog Aadhaar Memorandum:** To make the registration process of MSMEs easier, Government has notified a simple one-page registration form 'Udyog Aadhaar Memorandum' (UAM) on 18<sup>th</sup> September, 2015. This is a path breaking step to promote ease-of-doing-business for MSMEs in India. This new UAM system replaces the previous system of Entrepreneurs Memorandum (EM). Under this system, applicant needs to fill a simple one page form online and instantly get a unique Udyog Aadhaar Number (UAN). In this process information sought is on self-certification basis and no supporting documents are required at the time of online filing of UAM. It also significantly increased the information available with the Ministry of MSME regarding the trends in this sector.
- **Framework for Revival and Rehabilitation of MSMEs:** A framework is made by the government for revival and rehabilitation of MSMEs. Under this framework, a simpler and faster mode is developed for stressed accounts of MSMEs and guidelines are issued by Reserve bank of India for revival & rehabilitation of MSMEs.
- **MSME Data Bank:** For promotion and enhancing competitiveness of MSME sector, a data bank is maintained by Ministry of MSME. This will help the Government to monitor and streamline various schemes and enable them to pass the benefit directly to MSMEs. It will also give the information about performance, status and other parameters of MSMEs.
- **Direct Benefit Transfer in MSME:** Government has brought his all welfare schemes under Direct Benefit transfer. The aim of this is bringing transparency in the system and passing the benefit directly to the beneficiary by removing the role of mediators. This system helps to eliminate the possibility of duplication and fraud.
- **GST Rollout by Ministry of MSME:** Government has made elaborate arrangements for smooth roll out of GST. Various departments under the ministry of MSMEs namely, Office of Development commissioner (Micro, Small and Medium Enterprises), Khadi and Village Industries Commission (KVIC), National Small Industries Corporation (NSIC), Coir Board, National Institute for Micro, Small and Medium Enterprises (Ni-MSME), Mahatma Gandhi Institute for Rural Industrialization (MGIRI) opened GST Cells in their respective offices to provide requisite support to MSMEs with respect to GST issues.
- **Digital Payments:** Efforts were made by Government of India to promote cashless payments and to provide the facility of digital payment to MSMEs. Digital payments have been given highest priority by the Government of India to bring each and every sector of

the economy under the formal fold of digital payment services. Ministry of MSME has taken numerous initiatives in this regard, to digitally enable the entire MSME sector and implemented the Digidhan mission. Under this mission, all the offices of MSMEs have been digitally enabled and awareness about different modes of payments such as BHIM, UPI and Bharat QR code is spread to MSMEs registered under UAM.

- **MSME SAMADHAAN- To Address Delayed Payment to MSEs:** To strengthen the objectives of MSME Development Act, 2006 Ministry of MSME launched a SAMADHAN portal (<http://samadhaan.msme.gov.in/>) on 30<sup>th</sup> October, 2017. The portal gives information about the payments pending with them in respect of the MSEs. It facilitates the MSEs to file complaints related to delayed payments.
- **MSME-SAMBANDH:** The Ministry of MEMEs has notified the Public Procurement Policy for Micro and Small Enterprises. Under this policy it is mandatory for government to procure 20% annual procurement from MSEs including 4% of SC/ST. Government has also launched 'MSME-SAMBANDH' portal on 08<sup>th</sup> December, 2017 for effective implementation and monitoring of this policy.
- **Technology Centre Systems Programme (TCSP):** Government with the objective to expand and upgrade the network of technology centres is implementing 'Technology Centre Systems Programme' (TCSP) with the financial assistance of World Bank. The estimated cost of the project is Rs. 2200 Crores. Under this project 15 new Technology Centres (TCs) will be set up and existing TCs will be upgraded across the country.
- **Swachhta Pakhwada by Ministry of MSME:** Ministry of MSME had celebrated the Swachhta Pakhwada from 1<sup>st</sup> to 15<sup>TH</sup> December, 2017, where various industry associations and MSMEs were felicitated for their contribution in 'Swachh Bharat Abhiyaan'. Various awareness campaigns and seminars on new and Innovative technologies on cleanliness were organized.
- **National Scheduled Caste / Scheduled Tribe Hub:** Government has launched a scheme on 18<sup>th</sup> October, 2016 for setting up of 'National Schedule Caste and Schedule Tribes (SC/ST) Hub'. The main purpose of this hub is to provide professional support to SC/ST entrepreneurs, which is aimed to fulfill the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order, 2012. The total project cost of this hub is proposed to be Rs. 490 crores for period from 2016-17 to 2019-20.

#### 5. Conclusion

It is concluded from above analysis that there is significant contribution of MSMEs in employment generation as it is one of largest sector in providing employment and plays a crucial role in transforming Indian economy from agrarian to industrial economy. MSMEs can contribute to a large extent in the success of 'Make in India' and 'Digital India' initiatives of the Government. It is also equally important to promote MSME in

all areas i.e. agriculture, manufacturing and service sector, for overall GDP growth and employment generation. This sector will act as catalyst in socio-economic transformation.

Efforts are also needed to enhance production of MSMEs. Government must strengthen the procurement policy of MSMEs as it will encourage the entrepreneurs to increase production. There is also need to take necessary steps to provide a national and global platform to sell the products of traditional and village industries. This will give them an opportunity to increase their market size and production. Above investigation also reveals that MSME sector witnessed robust growth in exports and has potential for further growth. Ministry of MSME should coordinate with local industrial organizations, state and centre Governments to promote the products of MSMEs and identify the areas to substitute imports. Most of the studies found that lack of availability of sufficient and timely credit is a big hurdle in the growth of MSMEs. It is found from above analysis that share of MSME in total net bank credit is about 15% during the study period, which is very low. This seems one of the major reason that share of MSMEs in GDP is about 30% during the same period. The problem of credit availability will be addressed by involving private sector banks and NBFC's to a larger extent. This will help MSMEs to achieve rapid growth and share of MSMEs in GDP could reach to half of country's GDP. It is evident from above findings that efficiency of MSMEs has been progressively increased both in employment and production. Policymakers are advised to build a strategy for innovation as it will enable MSMEs to increase their efficiency, attract foreign capital and new technology. It will also strengthen the objective of inclusive growth. It is

observed from various schemes run by Government for MSMEs that the main focus in most of the schemes is on financial support but none of these talk about other non financial support required for the growth of this sector. There is utmost need to provide non- financial support like entrepreneurship skill development and training, business development services, product promotion methods, product marketing etc. Various steps should be taken to provide strong technological support and implementation of new technology in this sector. This will help the MSMEs to face stiff competition from large industries and imports. This will also enable them to compete globally.

As far as role of MSMEs in inclusive growth is concerned, employment generation in this sector as discussed above plays a crucial role in achieving the Government's aim of inclusive growth, apart from this, following policy initiatives should be taken by the Government; first, share of OBCs in MSME ownership is highest in socially backward groups and efforts should be made to increase the share of SC and ST owners in MSME sector. Secondly, women entrepreneurs have made a significant contribution in Indian economy. They should also be encouraged to participate in the growth and development of MSME sector. Third, it is also observed from above investigation that there is lack of uniformity in growth of MSMEs and gaps are there in growth of services and manufacturing sector, development in urban vs. rural area and share of MSMEs across states. There is a need to prepare action plan to bridge these gaps to achieve the national objective of balanced development.

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